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May 30, 2008

Allan Rawland, Director of Behavioral Health
Behavioral Health Administration Office
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SUBJECT: AUDIT OF BEHAVIORAL HEALTH CASH CONTROLS

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement on Internal Operational Auditing, and the Internal Controls and Cash Manual (ICCM), we have completed a cash controls audit of the Department of Behavioral Health (DBH). Our audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditors.

Background

The Board of Supervisors, by resolution, establishes cash funds for county departments to facilitate their operations. The Board has delegated the County Auditor/Controller-Recorder (ACR) the authority to establish cash funds up to \$2,500. Several different types of cash funds are used throughout the County, including petty cash funds, change funds, and cash shortage funds. Ordinarily, departments use petty cash funds to buy small items, change funds to make customer change and cash shortage funds to reimburse cash shortages that occur during daily operations. Although these cash funds may differ in amount and purpose, the general guidelines governing their establishment, maintenance, dissolution and reconciliation is the same. Departments designate a fund custodian to be in charge of the fund. At all times the fund custodian must be able to account for the fund in the form of cash, vouchers and receipts. Periodically, ACR Internal Audits Section performs surprise cash counts of these cash funds. Upon demand of ACR or the Board of Supervisors, a department's Fund Custodian is to give an accounting of the fund.

ACR has documented some general cash controls in the ICCM for departments with cash funds. However, each department head or authorized designee is responsible to develop and implement the necessary guidelines and procedures required to control, safeguard and handle cash.

Objectives, Scope and Methodology

Our overall objective was to determine whether cash handling controls practiced by the DBH effectively safeguard cash. Specific audit objectives were to determine whether:

1. DBH properly maintained and secured its change fund.
2. DBH made deposits timely and intact.
3. DBH practiced adequate cashiering controls.
4. DBH properly maintained and secured its petty cash fund.

We reviewed internal controls over cash for the period of January 1, 2007 through June 30, 2007. Our audit included surprise cash counts, verification of deposit records, inquiries of staff, observation of cash handling procedures and other audit procedures considered necessary.

Conclusion

As a result of our analysis and tests performed, we concluded that cash handling controls practiced by the DBH did not always effectively safeguard cash. We determined that:

1. DBH appeared to properly maintain and secure its change fund.
2. DBH made deposits intact; however, they were not always timely.
3. DBH did not practice adequate cashiering controls.
4. DBH appeared to properly maintain and secure its petty cash fund.

We identified several procedures and practices that could be improved. We have listed these areas and our recommendations for improvement in the Findings and Recommendations section of this report.

We sent a draft report to DBH on 05/05/08 and discussed our observations with management on 05/07/08. The department's responses to our recommendations are included in this report.

Findings and Recommendations

Finding 1: Late Deposits

Staff held on to cash receipts and made deposits twice per week regardless of daily amounts collected. Often, the department collected large sums of cash receipts. During the audit period, the department averaged \$16,483 per deposit. However, Brinks picked up deposits only on Wednesdays and Fridays. The Brinks pick up schedule was arranged this way, because management was unaware that they could schedule daily pick ups even though they might not have a deposit to pick up each day.

The ICCM states, "Departments must deposit all monies collected by the next business day or at least weekly if small amounts are collected". This guidance is to avoid accumulating large sums of money. Accumulating large sums of money increases the risk of a loss due to theft, misappropriation or lost cash receipts.

Recommendation:

We recommend that management schedule a daily Brinks pick up for deposits. We also recommend that staff prepare deposits for pick up when they collect \$1,000 or more in cash receipts. However, if the department collects under \$1,000 in cash receipts, we recommend that they prepare deposits for pick up at least weekly.

Management's Response:

The DBH Business Office contacted the Auditor Controller's office to schedule a daily deposit pick up. Effective 5/13/08, Brinks began a daily bank deposit pick up.

Auditor's Response:

Assuming that deposits will be made when collections reach \$1,000, the Department's actions will correct the deficiencies noted in the finding.

Finding 2: Lack of Accountability for Cash

Multiple staff members work from the same cash box when collecting cash receipts in the business office. We were unable to determine how this practice began as the department did not use this practice at the prior business location.

Working from the same cash box allows a lack of accountability for cash. As a result, it will be difficult for management to identify the source of cash handling errors or misappropriation of cash.

Recommendation:

We recommend that Management divide the department's change fund into separate cash boxes and assign each employee, who collects cash receipts, their own cash box.

Management's Response:

The Business Office is following the recommendation of the Auditor/Controller's Internal Auditor and now has separate cash boxes assigned to two employees. The two cash boxes are kept in separate locked locations during regular business hours. At the beginning of each work day the cash boxes are assigned to specific employees for that day. The cash boxes are counted and balanced by each employee assigned and verified by a supervisor. At the end of the work day, the assigned cash boxes are counted and balanced by each assigned employee and verified by a supervisor and put in the safe until the next business day.

Auditor's Response:

The Department's actions will correct the deficiencies noted in the finding.

Thank you very much for the cooperation extended by your staff during the course of this audit.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: _____
Howard Ochi, CPA
Chief Deputy Auditor
Internal Audits Section

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